



Understanding China's Engagement with Africa & How the UK can Build Relationships with China In Africa

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Conference Report



CENTRE FOR
CHINESE STUDIES

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The views and opinions expressed in this report do not necessarily correspond to the views or policies of the UK Government.

Executive Summary

The purpose of the three day event was to provide background and briefings on the major dimensions of China's engagement in Africa and generate ideas for participants to engage China in Africa and also how best to approach Chinese counterparts in African capitals. The participants were drawn from African offices of the UK Department for International Development (DFID) and British Embassies and High Commissions.

Sessions during the three day programme focused on explaining China's development path, banking sector, political and economic landscape in order to provide participants with a more comprehensive understanding of China and the effect of its domestic environment on activities in Africa. A focus was also placed on introducing China's engagement in Africa from a Chinese and African perspective and within Africa's extractive industry.

In order to facilitate greater appreciation of cultural differences between East and West, sessions also aimed to describe the importance of following cultural customs when interacting at a personal or institutional level with the Chinese. The event culminated in meetings to provide a plan for future increased engagement with China in Africa in areas identified during the course of the three days.

The implications of the economic crisis on the UK and China's activities in Africa, as well as implications for Africa permeated discussions while an African response and responsibility was highlighted as a key factor in creating social and economic benefits for Africa through engagement with the UK and China. It was emphasized that China's engagement with Africa varied according to country and generalisations of a homogenous approach were to be avoided. A focus during interactive sessions was placed on the mutual benefits of the UK and China's increasing their engagement in Africa. Perceptions of Africa and that of risk were discussed throughout the three days. China's perception of Africa as a commercial opportunity was highlighted, in addition to China's perception of risk in investing in the Continent. It was understood that greater risks were being taken in investment practices in Africa on the part of China however it was stated that these investments were illustrations of China's long term view towards its engagement with the continent where risks would pay off in future.

Cultural differences were also indicated during the event and emphasis was placed on becoming more aware of this, as well as its effect on interactions at institutional and personal levels. As a result of the discussions on these and other topics related to China's engagement in Africa UK officials left with ideas and practical tools which they can use to start building relationships with their Chinese counterparts.

Introduction

1. As China's engagement with Africa receives increasing attention from the international community the need for greater understanding of this engagement becomes necessary. The UK Department for International Development (DFID) approached the Centre for Chinese Studies, Stellenbosch University, to organise and support the delivery of an innovative three day event in Pretoria, South Africa. The event focused on knowledge and capacity building amongst UK officials based in China, Africa and the UK to enable effective engagement and collaboration with China in Africa.

2. The event consisted of a series of panel discussions and interactive sessions to create debate and sharing of experiences in engaging with China in Africa in a variety of fora. The sessions provided a comprehensive overview of China's history, foreign policy, domestic challenges and activities in Africa in the fields of trade, aid and investment. In addition the UK's experience in engaging with China was described in order to create an accurate picture of current relations between the two countries. The event aimed to address areas for future collaboration and engagement between China and UK, and planning the way forward in the final sessions of the event.

DAY 1 – TUESDAY 23 June 2009

Theme for the Day: Chinese, African & International Views of the China-Africa Partnership

Welcome and Introduction

3. Adrian Davies, Head: North East Asia, DFID, provided an introduction and welcome to participants. He noted that there existed a stressing need for the United Kingdom to engage with China, particularly as the relationship was now based on global challenges, and was not necessarily focused on bilateral issues anymore. Providing an overview of China's Africa Policy and trade to Africa, he expressed DFID's interest in learning how lessons from China's engagement in Africa could be applied to other African countries. He further noted that it was important at this occasion to guard against talking about China in Africa, as Africa was not a homogenous entity. Instead there would need to be acknowledgement that implications of China's engagement in African countries would differ.

4. Dr Martyn Davies, Executive Director, Centre for Chinese Studies, provided an overview of the objectives of the training event:

Objective one: To enhance interaction between London & Beijing toward greater dialogue in their developmental efforts in Africa;

Objective Two: To provide a forum for ideas and knowledge to be shared to enable UK government participants to engage with Chinese actors in Africa;

Objective Three: To enhance relationships of trust between Britain and China that may contribute to new areas of joint collaboration in Africa.

China's Development Trajectory and Lessons Learnt

5. Prof Chu Shulong, Deputy Director, Institute of International Strategic and Development Studies, Tsinghua University, provided a comprehensive overview of China's developmental history from 1978-2008 including its focus on agricultural reform, special economic zones and foreign direct investment (FDI), marketing and circulation reform (reform of small-medium sized businesses from state to private sector), industrial and urban reforms, cultural and education reform and banking and financial reforms.

6. A number of positive lessons were extracted from this development path. These included benefits from undertaking a process of gradualism, with focus on reforms spreading gradually from the countryside; focus on attracting FDI, opening of the economy to increase trade; maintaining a balance between reform and stability; placing focus on education and development of human resources; focus on maintaining strong central and local governance during implementation of reforms; as well as believe in the principle of "peaceful development" forwards foreign strategy and policy.

7. Negative lessons learnt included the "export and export/investment" model which proved to be unsustainable in the long term; the existence of a disparity among regions and peoples as a result of a change in focus from pro-development to pro-poor development; a lack of rule of law and increase in the existence of corruption; a lack of IPR protection and creativity, instead focusing on a labour intensive economy and not one that was technologically intensive; damage to the environment and ensuing impact on development; and a lack of political reform and the resulting lack of consensus and understanding on the future of the reform process.

8. Prof Wenran Jiang, Mactaggart Research Chair, China Institute, University of Alberta, provided a broad overview of China's historical trajectories as well as problems and challenges that now needed to be addressed in China's current development trajectory. China's two historical trajectories included rising to global prominence and its traditional development model underpinned by low wages and huge resource consumption.

9. Professor Jiang gave an overview of China's energy consumption. Regarding Chinese activities in general and in Africa in particular, he noted that the Chinese government would not be capable of keeping a handle on all activities and engagement domestically. Major trends to watch out for in future would be major spending to continue China's current development path, relying on stimulus packages

and bank lending and focus on renewable energy as well as nuclear power. Also, the process of urbanization and a growing middle class, would result in dramatic increases in domestic consumption and pressure on the service industry; there would be an infrastructure and construction boom; growth in demand for energy; development as an auto industry superpower and tourism sector; over 80% of oil would be sourced from Africa and the Middle East in future while China would increasingly see a need to secure operations and sea lanes in order to protect energy supply.

10. A number of potential scenarios were noted in the case of China. Either it would continue with its existing model of export oriented growth; transition to a new development model; rise peacefully and be accommodated by world powers; or it would grow increasingly nationalistic and become assertive in its efforts towards meeting its increasing demands. It was stressed that each of these scenarios had implications not only for China, but for the rest of the world.

Interactive

11. The rollout of Chinese Special Economic Zones (SEZ) as a transplant of China's economic development model to Africa was questioned. It was stated that the effectiveness of the SEZ's would depend on how the host African country made use of them. In China they were successful not because of a foreign government, but because of China's own involvement towards its own success. The SEZ's need not only encourage investment from China, as it would need to gain investment from the African countries themselves too in order to be successful.

12. The need for Chinese engagement with the United Kingdom was highlighted. China wants to forge a model of peaceful development and European powers are important partners in achieving this. In order to meet domestic challenges China will need to know it is not going to be countered when seeking foreign resources and markets to sustain its growth. Furthermore, there is a limit to what enterprises, especially small businesses, can do in Africa within its existing policies, wages, environmental and labour laws. Thus it needs to engage with other external actors to partner in its efforts on the continent.

13. Questions were posed regarding the effectiveness of China's export oriented model in the case of Africa. It was stated that the Chinese government does not talk about a Chinese development model. They talk about it having Chinese characteristics or they talk of a Beijing consensus. They are not trying to sell a Chinese model to Africa. The experience will depend on the African response to these activities. A comment was made that by engaging with the Chinese (especially small companies) their behaviour in terms of labour and environmental impact would be reshaped. It was suggested however that operational standards in China would affect activities in Africa, and thus domestic changes in China would need to precede changes in activities in Africa. In terms of engagement in the agriculture sector, China was open to cooperation with African countries through technology and skills transfer if this was requested from African countries themselves.

14. Discussions focused also on the role of the China's private sector FDI flow to Africa. Comments were made that China's private sector would need to be strengthened before it could increase its activities in Africa. However comments were made that the private sector is driving FDI in Africa, especially small and medium sized companies and would continue to play an important role in the future.

China's Engagement with Africa- A view from China

15. Li Yuan, Economic and Commercial Counselor, MOFCOM, provided an overview of his personal experiences and observations of Chinese engagement with Africa. He highlighted that the Chinese presence in the past was dominated by low cost Chinese products in the early 1990's but had since rapidly expanded to include an ever increasing presence of privately owned businesses. Chinese companies focused on engineering, construction and extractive industries are often now in competition with each other for contracts, in harsh environments, which Western companies and locals did not want to invest in. This resulted in investment in high risk conditions in order to gain access to resources in Africa.

16. Dr Jing Gu, Fellow at the Institute of Development Studies, emphasized the role of the private sector in Chinese investment to Africa during her presentation. While only 5% of China's global FDI flows to Africa, according to Dr Gu it is the rapid increase in investment levels over recent years that has been impressive. It was explained that FDI is driven by small-medium enterprises, with most finding their origins concentrated in a small number of Chinese provinces. In contrast to the lack of civil society in China, non-governmental organisations (NGO's) and engagement between Chinese investors and African civil society will play an increasingly important role in the success of Chinese investment on the continent. Specifically, Chinese enterprises will need to become engaged and concerned about African social development.

17. Dr He Wenping, Director of African Studies Section, Institute of West Asian and African Studies, highlighted the effects of China's domestic environment on its engagement with Africa. In particular the process of political reform should play an important role when discussing China's development trajectory in future. Development in China must include political reform and economic reform as these reforms are interdependent. It was stated that China's engagement with Africa should also be seen in terms of south-south cooperation as south –south investment for example would play an important role towards meeting developmental targets such as the Millennium Development Goals (MDG's) in Africa and China. Furthermore, the support towards achieving the MDG's should not be overlooked when reviewing relations between China and Africa.

Interactive

18. A discussion took place surrounding ways for the China-Africa relationship to become a mutually advantageous one for both sides. Participants emphasized that it was the task of Chinese embassies in Africa as well as African governments and African civil society to improve the impact of China's engagement with Africa. Also, concerns were raised that oil companies should play a greater role towards corporate social responsibility in their activities in African countries. It was stated that these oil companies play an increased role in society within these countries and act as responsible citizens, to provide more than just financing of small projects in local communities on the ground. African governments and civil society were highlighted as being best positioned to leverage greater benefits for social development in the African countries concerned.

19. In response to questions raised surrounding the reasons for such great success rates among Chinese investment in Africa, it was mentioned that return on investments made by these Chinese companies was actually much smaller than the 25% rate of return quoted from UNDP in Africa. It was noted that investments made in Africa were long term investments, hoping to gain greater profits in future. Thus, many investments were being made in areas that Western companies showed little interest in as Chinese companies were able to build and expand on their initial investments in order to gain advantage in those areas in future. Emphasis was placed on the fact that the majority of Chinese companies present in Africa did not enjoy any financial support from the Chinese government. Instead these companies exhibited a strong entrepreneurial spirit looking for opportunities in a great variety of forms.

China's Engagement with Africa- A view from the African Continent

20. Alex Rugamba, Coordinator, Infrastructure Consortium for Africa at the African Development Bank emphasized three points during his presentation. First, that one could observe China's role in Africa as being wider, more sophisticated and businesslike than ever before, especially in areas crucial to African needs such as infrastructure. Second, unlike Western countries, China has not been affected by the current financial crisis and would thus continue its investment activities in Africa. Third, the most important area of discussion for Africa moving forward would be that of how Africa was responding to this increased Chinese investment in order to ensure the best deal for the Continent.

21. Johnny Moloto, Director, Greater China, South African Department of International Relations and Cooperation, provided an historical overview of relations between South Africa and China. It was noted that contemporary relations between the countries had been increased and deepened through its Bi-national commission and creation of a strategic partnership. Furthermore, China now has the most diversified trading relationship in Africa with South Africa. He noted that the entry point for all relations between China and Africa has been driven by high level engagements at government level, while a trade oriented relationship, instead of aid, was starting to gain support in Africa.

22. Dr Martyn Davies focused on China's competitiveness in its activities in Africa. He stated that China had succeeded in Africa as a result of its strong state-owned banking sector, which had proven to be a prerequisite for Chinese growth. Also, it was not necessarily a case of transplanting China's development model in Africa. Instead it was a case of China's capital allocation model coming to Africa which was illustrated as being a contracyclical model.

Interactive

23. Regional integration was discussed among participants during the session. In particular mention was made that a stronger regional focus would be observed through the African Union in the future. Also, investments in regional infrastructure in Africa would become increasingly important as it could provide China with economies of scale which would serve to be attractive. It was further noted that the African Union and NEPAD involvement provided the best framework for creating a collective African voice towards China's engagement with the Continent.

24. Special mention was made of the China Africa Development Dialogue, organised by the FCO and DFID in London recently and the aim of the UK government to continue its engagement with China on activities in Africa.

China's Engagement with Africa- A view from an International Researcher

25. Richard Dowden, Director of the Royal African Society, presented a personal account of his experiences and interviews conducted in Africa. He suggested that as a result of Africa's colonial history, the continent struggled with issues of self esteem in responding to external actors and their engagements on the Continent.

26. In addition, the West has had to react to presence of competition in Africa which was traditionally a continent seen to have greater interaction and history with its colonizers. In addition, the media has played a role in providing an inaccurate perception of China in Africa, largely as a result of superficial research. He further noted that China needed to become more responsive to the voices and opinions of the local people not just that of the African governments concerned, in order to change the way it was perceived.

DAY 2 – WEDNESDAY 24 June 2009

Theme for the Day: China's Engagement with Africa: Aid, Trade and Banking

Chinese System: What does it look like?

27. Matthew Moody, Team Leader, UK, FCO, provided a historical overview of China's foreign policy history in order to contextualise its engagement with Africa. His presentation focused in particular on political and economic reform, as well as the ideological underpinnings of China's foreign policy principles. The rise of China as a global power was described and questions surrounding China's contemporary foreign policy were presented.

28. Peter Clark, Research Analyst, UK, FCO explained the complexities of the decision making process in the Chinese system. The process is decentralised and thus although there is a strategy involved, the system as a whole is fairly disaggregated. Informality and decentralisation were explained as the key words in understanding the Chinese decision making system. It was further stated that institutional rivalries amongst China's ministries affect the policy making process. Furthermore, China's state-owned enterprises (SOE's) are difficult to control as the leader usually has direct access to the highest level of governments, thus bypassing communication with ministries such as MFA and MOFCOM. It was stated though that SOE's are profit driven but do not necessarily have the same objectives as the Central Chinese government.

29. Dr He Wenping provided an overview of the development of China's aid policy to Africa by highlighting China's historical engagement with African countries, as well as the implementation of the Tazara railway project. Important aspects of China's aid policy such as its eight measures towards the provision of aid, as well as the Beijing Action Plan were explained. It was stated that China did not have an independent aid department as such DFID, while lack of communication was often evident between various Chinese ministries. Further emphasis was placed on the role of the Economic Counsellor's office in the Chinese Embassies in respective African countries. These are likely to be the most knowledgeable parts of the embassy on China's development assistance to Africa.

Interactive

30. Discussion focused on various aspects of decision making processes in China. It was explained that while EXIM Bank's role was to provide soft loans, it was MOFCOM that focused on the implementation of the projects, as well as which aid applications are approved. Participants highlighted that strings are in fact attached to aid provision, sighting the 'One China' policy and exclusive use of Chinese companies in implementation of projects as examples of this.

31. It was further stated that think tanks were increasingly being consulted to form a more participatory approach towards decision making around issues of aid policy. In addition it was stated that the process of tendering for Chinese government funded projects in Africa took place in China, often as a way of managing perceived risks of corruption in Africa. Money provided for African projects did not flow directly to the country concerned, instead it was emphasized that money was dispersed from and remained in China.

Chinese Financiers in Africa

32. Representatives from China's commercial and policy banks including China Construction Bank, China EXIM Bank and China-Africa Development Fund, participated in an open discussion with conference participants. The panel included representation from South Africa's Standard Bank and the African Development Bank (AfDB) as well as Dr Jing Gu from the Institute for Development Studies.

33. Each panellist introduced their institutions, their main objectives and their presence in Africa. In the case of Standard Bank, its relationship with International Construction Bank of China was explained, as well as its current investment portfolio in Africa and with ICBC.

34. The point was reiterated during discussions that the Chinese Banks were not going to divest from African operations as a result of the global economic recession. No withdrawal from the Continent was evident especially since greater opportunities were now presenting themselves as US and European markets waned. It was stated that Chinese investment had actually increased during this period of economic crisis.

35. Note was made of the fact that Chinese investment had generally been well received in Africa although there was still a learning curve in place for Chinese companies that still had to better understand local partners and local risks involved on the ground. Mention was made of the fact that African bank stakeholders often perceived Chinese investment towards infrastructure projects in a more complementary manner. Rather a more cautious approach was found among European and American stakeholders who focused on the implications of Chinese investments on the HIPC process.

36. It was suggested that greater engagement between China and other external actors was needed in order to better understand operational constraints and challenges in Africa, in order to better understand the risks involved with investing in the continent. Greater interaction between African institutions and Chinese Banks were also emphasized with the example of the MOU between China's EXIM Bank and China Development Bank with AfDB as a positive step towards increased engagement in future.

37. A number of countries were highlighted as potential targets for increased investment opportunities in future including Nigeria, Ghana, Mozambique, Angola, Kenya, Tanzania, Zambia and the DRC.

These countries were seen to provide opportunities for investment particularly in infrastructure development, the agricultural sector and small-medium enterprises.

DAY 3 – THURSDAY 25th June 2009

Theme for the Day: Engaging with China as a Partner in Africa

China's Involvement in Africa's Extractive Industries

38. Mike Solomon, Chief Executive Officer, Wesizwe Platinum, explained that African mining companies were being presented with problems as a result of Western companies divesting from the continent as a result of the economic crisis. Thus companies had to look towards China for alternative financing. He warned against delaying the implementation of projects as this would have detrimental consequences on the long term reconstruction of Africa. The need for investment was highlighted as the key for Africa's growth, thus the responses of Western companies as a result of the economic crisis posed a problem to the continent.

39. Tendai Furamera, Mineral Economist, Kumba Iron Ore stated that exports from Africa to China had increased to 85% from 50% during the economic crisis as a result of China's continued increase in demand for steel, copper, zinc and iron ore in particular. China cannot satisfy its demand for commodities and this drive resulted in China being less focused on its reputation towards risk in Africa. He explained that China has a different perception of risk due to its own domestic demands.

40. In addition, he suggested that while Australia and Latin America had developed national champions in the energy sector, Africa had not and thus was more susceptible to external actors. This is because of the existence of fewer barriers to new foreign investors in Africa. The question now was whether investment was required in Greenfield or Brownfield operations under the current economic climate. Chinese investment was traditionally focused on Greenfield projects which naturally required extensive infrastructure investments.

41. Yang Xiangping, Deputy Chief Executive Officer, International Ferro Metals described his experiences working for two Chinese companies in South Africa. It was stated that China's expanded activities in the area of extractive industries had to be put in perspective as he noted that Western companies still had a larger footprint in this sector. He explained that his experiences refuted the perception of lack of transparency by Chinese companies in the implementation of their operations. He also described the use of local labour in his company's current operations.

42. Prof Wenran Jiang explained that the exporting of minerals from Africa to China was larger than the exporting of oil, which only contributed 15% of China's trade with Africa. He also emphasized the activities of small and medium enterprises in the extractive industry in Africa as more focus is usually placed specifically on SOE's. As a result of having less experience in operating in Africa, Chinese companies were providing attractive package deals in an effort to gain access to markets traditionally dominated by companies in the West.

Interactive

43. Questions were posed concerning the maintenance of infrastructure provision by China to African countries. It was mentioned that China needed to provide this infrastructure themselves as they would not be able to rely on provision of this infrastructure from the West. However, infrastructure needs to be adequately linked to surrounding industries in order for it not to become a white elephant.

44. Future projects then also need to be planned around existing infrastructure projects to make the best use of them and to create the greatest benefit to local communities and economies. In this regard, infrastructure provision was seen as the best way to kick-start a local economy if it could be integrated into the broader economy. Africans need to however take ownership of the maintenance of the infrastructure provided as this was noted to be the best way of ensuring their future functioning.

45. Several participants highlighted China's US\$ 9 billion deal in the DRC and questioned the viability of its implementation. It was suggested however that China provided a good alternative option to investment in infrastructure provision in the DRC as the West was not going to be able to provide what was needed to that country. It was however stated that environmental impact and socially responsibilities were key towards the effective implementation of such a deal. Furthermore, the UK government position towards this deal was conveyed that the DRC needed engagement with the IMF and the provision of the infrastructure deal- not one or the other.

Setting the Scene: Challenge of Culture in Building Sustainable Relationships

46. Catherine Martin, Team Leader: Financial Sector Team, DFID explained the need for greater understanding of cultural differences between the UK and China. Key historical events including China's revolution, cultural revolution and the open door policy also play a critical role in Chinese society and people. Understanding these events and their effect on Chinese society will allow one to more accurately take possible generational differences and histories into account when engaging with the Chinese. She noted that reciprocity, showing face and *guanxi* formed the basis of any engagement with Chinese people. It was stated that one needed to start thinking about what China had to offer and teach Africa through its cultural, historical and societal differences.

47. Dr He Wenping continued by again emphasizing the many different faces and cultures of China. She explained that engagement with various different sectors in society will take a different path. In the area of academia she explained that relationships were premised on a Memorandum of Understanding (MOU) while engaging with those in various Chinese provinces will be based on personal interaction in a social setting. She also suggested that the landscape of the country played a role as more developed parts of China would engage with foreigners in a different way to the areas that were less developed.

48. Gareth Ward, First Secretary, Beijing, FCO, provided a list of challenges to building cooperation and engagement with China. These included the fact that the two countries' business interests were in competition with each other while there was also a perception that the Chinese did not want to be criticized for their activities in Africa as they were playing catch up to traditional actors. There was also a difference in policy making between the two countries as China placed more focus on engagement with government actors, underestimating the role of NGO's and relationships based on more multilateral engagement. As a result there was less transparency from the Chinese side, creating difficulties in engaging with them.

49. He also explained the need to engage in the face of these challenges as there was much to be gained from the opportunities presented by Africa's growing markets and implications for market reforms amongst both Chinese and Western companies. An area of mutual interest for both sides was achieving the MDG's and the effect of the Goals on policy implementation and activities in Africa was important. The engagement strategy would need to be premised on a clear narrative of shared burdens, common agenda's and cooperative contributions. Not to be forgotten however was the need to include African stakeholders at all stages of engagement.

50. Prof Deborah Bräutigam, Associate Professor, School of International Service at American University, explained that there are many faces to both Africa and China. One had to also separate Chinese people from activities by the Chinese government in Africa. She stated that China was increasingly being invited by multilateral organisations to provide input and consultations however it was rather the African governments themselves that should be inviting the Chinese government representatives to these consultations. This would provide a greater level of endorsement from Africa for China to participate in these discussions.

51. She suggested that China saw Africa as a commercial opportunity however China's own development path has been experimental with standards developing over time. China sees human rights, environmental and social standards as an evolutionary process whereas the West believes it has the answers to developmental process and implementation of best practices.

52. Qiao Jianrong, Health Advisor: China, DFID, stated that the high levels of human capital and its learning capacity in China should not be underestimated. This also needs to be taken into account when understanding China's developmental journey as it is not a one way flow of ideas but rather a process of mutual learning while trying to address development problems. She explained that DFID had built trust in China through its operations in the country, but while DFID was more focused on strategies and blueprints, China was quietly strategic and more focused on cost-benefit analysis. She advised that engagement with China involved lengthy negotiations and discussions that required patience, understanding of rules of the game and proper implementation of agreements made.

Interactive

53. A number of participants focused on issues surrounding maintenance of China's infrastructure provision in Africa. It was suggested that while China needed to take responsibility for maintaining the structure, it was pertinent for Africans to take ownership of this task too. Others stated that putting responsibility on China to provide maintenance could reinforce the need for Africa to rely on external assistance to provide these services.

54. However it was also argued that China could provide an alternative model to previously unsuccessful maintenance plans historically referred to as the White Mans Burden. Current realities also needed to be taken into account as a participant explained that a current lack of skills and effective governance in Africa suggested that external assistance was needed at present.

Experience of Building Relationships with China

55. Alex Rugamba provided an overview of engagement between the AfDB and China. He emphasized that China was an important actor to engage with the Infrastructure Consortium for Africa as the ICA attempted to provide knowledge dissemination and opportunities for development in infrastructure in Africa. Engagement between the two sides involved a number of reciprocal visits to China and Africa by high level delegations and they were currently in the process of identifying joint pilot projects to be implemented in Africa in future. He explained that an historical understanding of China's development path and philosophy was an asset to any delegation meeting with Chinese officials. He also explained that engagement with mid level officials could be most effective as they would in turn convey the messages given to those higher level officials who would be advised on which decisions to make in future- this "bottom-up" approach could provide the best results.

56. Engagement objectives included the need to increase financial provisions from China, intensify cooperation and decrease the blockages to engagement which included making an effort to provide the Chinese with as much information as possible in order to make them feel comfortable with future engagement and equip them to make better informed choices on the way forward.

57. Holger Grundel, Senior Advisor, DRC, DFID, focused on the importance of the UK to engage with China in the DRC especially since the announcement of China's US\$ 9 billion deal. This deal has illustrated the warming relations between the DRC China while the Chinese Ambassador to the DRC, Wu Zexian, was recognised as a good facilitator of the increased engagement between the two countries.

58. China's activities have not affected the UK's desire to engage with it in the DRC. The UK is trying to build relations with key actors and collaboration has been identified in areas such as road construction with China providing the hardware and infrastructure while the UK provided expertise and

capacity building in terms of social and environmental impact assessments. The final decision regarding the China-DRC deal will have implications on the UK's engagement with DRC. If the deal was finalised and the IMF withdrew this would have a negative impact on relations. It was important to note however that the UK's vision is to assist the DRC in gaining maximum benefit from the deal.

59. Adrian Davies continued by explaining that capacity problems are evident amongst Chinese embassies to adequately deal with all the issues and actors who want to engage with them. The embassies also depend on staff having adequate language skills, expressed interest and responsibility towards engaging with other countries in Africa. In Africa he stated that DFID's engagement with China in Africa would depend on whether the African government concerned wanted China to do so. In order to maintain credibility in engaging with Chinese representatives, it was advised that DFID and FCO work together and approach the Chinese jointly in a coordinated approach.

60. Questions were posed regarding the future use of the Angola model in Africa. Several participants believed that this approach would continue however it was stated that it would be more successfully implemented in weak states, not in countries with a strong institutionalised system.

Practical ways to build relationships with China

61. UK officials then discussed ways in which they could start to build relationships with Chinese counterparts in African capitals. They identified the following things that could be done:

Ideas for DFID and FCO officials to explore upon return to their posts:

- Be persistent and patient. Informal contacts can often be a useful starting point
- UK staff need to invest time to try and find areas which are of potential interest to China.
- Might need to revisit our priorities in order to find common areas of interest with China.
- Ideas for building relationships with China could be helped by internally networking across HMG in Africa.
- FCO posts and DFID offices should contact the Embassy/DFID in Beijing to obtain guidance and briefing on issues and to share their own experience of interactions with Chinese embassies in African capitals.
- UK expertise in social and environmental appraisal could complement China's hardware investments.
- China unlikely to be interested in any sort of partnership unless this is fully supported by African partners.
- Sensible to ask partner governments for their view on the cooperation they would like to see between China and the UK. .
- Think about how donor groups in capitals can be reshaped to make them of more interest to China.

- Start small and modestly to build trust.
- Important that Heads of Mission talk openly about working with China and why this is important (eg Ambassador's work in the DRC), in particular helping to raise awareness of opportunities to constructively engage.
- Get China-related objectives in business plans and personal objectives.
- UK keen on regional issues – useful to discuss these with China.
- Recognise that engaging China is different to talking to like-minded countries – need to be prepared to hear different opinions and be flexible.

Ideas for UK staff In London and Beijing:

- Keep in touch with the network so that we can hear what is happening on the ground – good news as well as more sensitive issues.
- Link in with other government departments – particularly through their own planning on issues where China might be important for achieving objectives.
- Sensitise ministers to the issues (i.e. China is a positive story as well as being a risk).
- Actively work to help China share its own development experience.
- Prepare a formal note on “How to engage with China”.

There will be a formal follow-up with participants in six months to discuss progress on building relationships.